法兰德斯中国商会 FCCC VCKK

FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

NEWSLETTER | 7 MARCH 2016

FCCC/EUCBA ACTIVITIES

Seminar: How to Succeed in the Chinese Market – 16 March, 15h30 – Ghent

The Flanders-China Chamber of Commerce is organizing a Seminar focused on: '*How to Succeed in the Chinese Market'*. This event will take place at 15h30 on Wednesday 16 March 2016 at the Club of Flanders, Sint-Pietersnieuwstraat 11, 9000 Ghent.

The aim of the event will be to share, discuss and exchange knowledge and experiences between companies doing business with or investing in China.

The programme will be as follows:

15h00	Registration
15h30	Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
15h35	*Case studies* of doing business and investing in China, by Mr Robert De Regge, CEO-ad interim and Chairman of the Board of Directors, Vitalo; and Mr Dirk Laeremans, General Manager, Orientas
17h00	Exchange of views and networking drink

If you are interested in attending, please register online at www.flanders-china.be before 10 March 2016.
Participation fee for FCCC members: 45€ (incl. 21% VAT), non-members: 90,75€ (incl. 21% VAT).

China Mission East-Flanders – 28 May – 4 June – Beijing, Shanghai, Tianjin, Shijiazhuang

China, the largest economy and the most dynamic consumer market in the world, is no longer only a production or sourcing country. It is a huge market for European products which have a stellar reputation with the consuming Chinese middle class. Thousands of Flemish companies are active in China. 2016 is an excellent moment in time for your company to participate in the East-Flanders trade mission, organized by the Province of East-Flanders, Voka Chamber of Commerce East-Flanders and Flanders Investment & Trade, in cooperation with the Flanders-China Chamber of Commerce. On the programme are B2B meetings, visits to companies, ports and industrial zones. Also planned are meetings with Chinese authorities and networking with Chinese and Belgian business partners. We will visit four important cities: Beijing, capital of China; Shanghai, the biggest city of China; Tianjin, the most important port city in North China; and Shijiazhuang, provincial capital of Hebei. The Province of East-Flanders opens doors. The trade mission is headed by the Governor of the Province of East-Flanders Jan Briers and Vice Governor Geert Versnick. For more than 25 years, East-Flanders has had close relations with the Chinese Province of Hebei. The presence of the Governor and Vice Governor will certainly open doors to your company!

More information and subscription

The trade mission is organized by the Province of East-Flanders, Voka Chamber of Commerce East-Flanders and Flanders Investment & Trade, in cooperation with the Flanders-China Chamber of Commerce.

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2016

The Flanders-China Chamber of Commerce offers several advertising and sponsorship opportunities in order to give your activities more exposure to potential new clients and collaboration.

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be
www.flanders-china.be

The sponsoring opportunities are the following:

1. SPONSORING OF ACTIVITIES

During FCCC activities, you can put a banner of your company at the event and distribute documentation of your company and obtain free invitations.

Invitations are distributed via E-mail and the FCCC website and newsletters. The events are announced in different media channels.
The fee is according to each different event.

2. SPONSORING AT THE FCCC WEBSITE

Your logo will be displayed on the FCCC home page with click through to your own website or to your own page on the FCCC-website

GOLDEN SPONSOR (12 months): 1.950 €
SILVER SPONSOR (6 months): 1.450 €

3. SPONSORING IN THE FCCC WEEKLY NEWSLETTER

Every Monday, the weekly Newsletters are sent and posted on the FCCC website.

Number of recipients every week: 1200 executives dealing with China

GOLDEN SPONSOR (12 months): 1.950 €
SILVER SPONSOR (6 months): 1.550 €
SPONSOR (3 months): 895 €

4. SPONSORING IN THE QUARTERLY E-NEWSLETTER IN CHINESE AND ENGLISH LANGUAGE: "NEWS FROM THE HEART OF EUROPE: FLANDERS"

- Newsletters are also posted online at the FCCC website
- 1 issue every quarter
- Number of direct recipients: +/- 2000 Chinese and Belgian business leaders, local authorities and institutions
- Distributed through the different Chambers of Commerce in China
- Your logo on the electronic newsletter and a 200-word profile of China activities

GOLDEN SPONSOR: 1.650 € -3 issues
SILVER SPONSOR: 1.250 € - 2 issues

Amounts are excl. VAT.

5. SPONSORING EU-CHINA ACTIVITIES

The EU-China Business Association (EUCBA) is an association of Associations in the European Union countries promoting business relations between European enterprises, institutions and their Chinese counterparts. It is an International non-profit organisation registered in Belgium.

The FCCC holds the secretariat-general of the EUCBA.

The EUCBA organises high-level EU-China events and also publishes a Quarterly newsbulletin.
www.eucba.org

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be

ACTIVITIES SUPPORTED BY FCCC

MO*talks: The world becomes Chinese – 9 March 2016 – Brussels

On March 2 MO*'s spring issue focusses on China's growing role in the world. Do we have to be afraid or not: is the trend bringing us a welcome and fresh new wind and new investments? On the occasion of this isse, MO* is organizing 'MO* talks: the world becomes Chinese' on Wednesday 9 March 2016. Fascinating speakers include Henk Schulte Nordholt (sinologist and author of "China & de barbaren"), Ching Lin Pang (sinologist, antropologist and Professor at KULeuven and UAntwerpen), Wim Polet (sinologist, Head International Department Industrial Sciences KULeuven and former Director Confuciusinstituut Leuven). A Representative of tehe Chinese Mission at the EU has also been invited. John Vandaele, Journalist of MO* and a China Specialist, will manage the event.

Wednesday, 9 March 2016, 19h30, Vlaams-Nederlands Huis deBuren, Leopoldstraat 6, 1060 Brussel. Register at info@mo.be More information is available at:
www.mo.be/motalks-de-wereld-wordt-chinees
www.facebook.com/events/226240827719977/

PAST EVENTS

Seminar: How to Prepare for Trade Fairs in China: Selection Advice, Negotiation Tips and IP Protection – 2 March 2016 – Eurochambres, Brussels

The EU SME Centre and the China IPR SME Helpdesk organized a half-day training seminar, on 2nd March in Brussels, to learn all you need to know about preparing for trade fairs in China. This seminar was organized with the support of the EU-China Business Association and Eurochambres.

During this seminar, the EU SME Centre's expert Rafael Jimenez, alongside Simon Cheetham, Team Leader of the China IPR SME Helpdesk, shared their insights on the following topics:

- What to do in preparation for a trade fair in China?
- Which fair should I choose to attend in China?
- Practical tips for business negotiation in China
- Key protection measures SMEs can take before attending trade fairs in China
- Collecting evidence of IP infringements

FCCC Chinese New Year Reception – 3 February 2016 – Brussels

On 3 February the Flanders-China Chamber of Commerce (FCCC) organized its annual Chinese New Year Reception at KBC Bank in Brussels. Speakers at this event were:

- Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce
- His Excellency Mr Qu Xing, Ambassador of the PRC in Belgium
- Mr Geert Bourgeois, Minister-President of the Government of Flanders, Flemish Minister for Foreign Policy and Immovable Heritage

Special thanks to KBC Bank at which the reception was organised and also its golden sponsor: ZTE, silver sponsors: Deme and Maasmechelen Village.

Pictures of the event can be viewed online.

EUCBA: Exclusive Luncheon with Her Excellency Mrs Yang Yanyi, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU – 3 February 2016 – Brussels

The EU-China Business Association (EUCBA) organized an exclusive luncheon with Her Excellency Mrs Yang Yanyi, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU on 3 February 2016 in Brussels. Following a networking cocktail, Mr Stephen Philips, Chairman of the EUCBA, introduced the speaker. Ambassador Yang Yanyi delivered the keynote speech on the developments of EU-China relations. Mr. Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC) presented the conclusions of the event.

Pictures of the event can be viewed online.

EU-China Conference: China's New Normal: What's In It For Businesses? – 28 January 2016 – Brussels

The European Union Chamber of Commerce in China, the EU-China Business Association and BUSINESSEUROPE organized an exclusive dialogue with the European Commissioner for Trade Cecilia Malmström, the European Parliament's Chair for Relations with China Jo Leinen, and the European Chamber China President Jörg Wuttke. This event took place on 28 January, 2016 at Thon Hotel EU in Brussels. The purpose of this event was to take stock of the most important developments in the EU-China relations and how this affects EU businesses.

Following an introduction by Mr Markus Beyrer, Director-General, BUSINESSEUROPE, Ms Cecilia Malmström, European Commissioner for Trade delivered a keynote speech on EU-China business relations. Her speech was followed by a speech by Mr Jörg Wuttke, President, European Union Chamber of Commerce in China and another one by Mr. Jo Leinen, Member of the European Parliament and Chair of the Delegation for relations with the People's Republic of China. Following a moderated panel discussion and Q&A, Mr. Bert De Graeve delivered the closing remarks on behalf of the EU-China Business Association.

During the event, representatives from the European Chamber's working groups were on-site to answer specific questions related to their industry sectors.

The EU-China Business Association is the EU-wide federation of business organisations in the EU promoting business relations with China. The Flanders-China Chamber of Commerce holds the secretariate-general of the association.

NPC & CPPCC SESSIONS

NPC and CPPCC annual sessions start in Beijing

The annual sessions of the National People's Congress (NPC) – the parliament – and the Chinese People's Political Consultative Conference (CPPCC) – the advisory body – started in the Great Hall of the People in Beijing on March 5 and March 3 respectively. In his work report to the NPC, Premier Li Keqiang told the Delegates that the target for China's GDP growth would be between 6.5% and 7%. Last year he set the target at "around 7%" and the actual growth rate was 6.9%, the slowest rate in 25 years. The government hereby indicates that it expects the economic growth rate to further drop moderately. Defense spending would be raised by 7.6% to CNY954.4 billion, the slowest increase in six years. China's defense budget rose by 10.1% last year. The Premier proposed a national fiscal deficit of 3% at CNY2.18 trillion this year, while the target was 2.3% last year. The increase in the deficit would mainly be used to reduce taxes for enterprises and safeguard social welfare. The consumer price index (CPI) target was set at 3%. The government did not propose a specific trade growth target this year after a disappointing performance in 2015 in which exports and imports combined fell 7% in renminbi terms and 8% in dollar terms. China vowed to create more than 10 million new urban jobs and cap the urban registered unemployment rate at 4.5%.
On the monetary side, China has targeted 13% growth in the broad money supply for 2016, up from the 12% target last year. For the first time, the government also included a growth target for outstanding aggregate social finance – setting it at 13% for 2016, echoing comments by People's Bank of China (PBOC) Governor Zhou Xiaochuan last month that China would lean towards monetary policy easing. China is unlikely to repeat the reckless development of the

past five years – China used more cement between 2011 and 2013 than the U.S. used in the entire 20th century. On transport links, China plans to boost its high-speed railway network to 30,000 km by 2020. It already had 19,000 km of track by the end of 2015 – more than the rest of the world combined. Even a cross-strait railway line linking Fuzhou in Fujian province on the mainland and Taipei in Taiwan is under consideration.

The NPC Delegates also reviewed the draft of the 13th Five Year Plan (2016-20). This year is the first year of the new plan. Premier Li said that innovation was the primary driving force for the country's development. China aims to become a world leader in advanced industries, such as semiconductors, and in the next generation of chip materials, robotics, aviation equipment and satellites. R&D spending will be boosted to 2.5% of GDP in the next five-year period, compared with 2.1% of GDP from 2011 to 2015.

- President Xi Jinping pledged to grant wider market access to the country's private sector during a panel discussion with CPPCC Delegates. During the two-hour discussion, 10 political advisers made proposals on financing support, wider market access, lower taxation and fees, as well as intellectual property rights. The country should try to solve the financing difficulties faced by small and medium-sized enterprises and provide them with "reliable, effective and convenient" services, Xi said.
- In the coming months, the government will provide more support to growth industries, such as information technology, biotechnology and new energy, in policies and in financial incentives, Premier Li Keqiang said in a meeting with CPPCC Delegates the day before he delivered his report at the NPC. Li also told them that the country has achieved most of the goals set in its previous Five Year Plan (2011-15). He also promised that the government will release more supply-side reform initiatives aimed at cutting overcapacity and easing taxation burdens on enterprises.
- Wang Min, 66, Vice Chairman of the Education, Science, Culture and Public Health Committee of the 12th National People's Congress (NPC), was placed under investigation for corruption. He was Party Secretary of Liaoning province from 2009 to 2015, and he held the same position in Jilin province from 2006 to 2009.
- The CPPCC will concentrate on the implementation of the 13th Five Year Plan (2016-20) and key economic issues such as supply-side structural reform, Chairman Yu Zhengsheng said at the opening session attended by more than 2,100 CPPCC Delegates in Beijing.
- Over a third of proposals from CPPCC National Committee Members this year focussed on economic issues. They made up 2,098 of the 6,012 proposals delivered since the 2015 session. Another 605 proposals were about judicial reform and anti-corruption efforts, while 378 addressed cultural issues and strengthening the administration of cyberspace and new media.
- The Chinese economy is not heading for a hard landing and the country is confident of achieving a reasonable growth rate, Xu Shaoshi, Chairman of the National Development and Reform Commission (NDRC), said at a news conference. "We are confident and capable of keeping the economic growth rate within a reasonable range," Xu said.

AUTOMOTIVE

Some car makers have their permits revoked

Chinese authorities recently revoked the production qualifications of some passenger vehicle makers. The Ministry of Industry and Information Technology (MIIT) released on its website on February 29 a list of 13 manufacturers of passenger cars that have been banned from production because they did not apply for or failed to pass mandatory evaluations for two consecutive years. Some of them were once famous in China, including Shuanghuan Auto. Based in Hebei province, the automaker was sued for copying the designs of international brands. The 13 carmakers have all long stopped production. The cleanup of "zombie" automakers, which began in earnest after the MIIT's suspension of 14 automakers' qualifications in November, is one of many steps the central government has taken to overhaul the auto industry. "We have been the largest car-producing country and the largest car market for several years but our auto industry is far from strong", MIIT Minister Miao Wei said. Zhang

Zhiyong, a Beijing-based Auto Analyst, believes the move will facilitate mergers and acquisitions (M&As), the China Daily reports. It will also open the sector to new entrants. In recent years, China has not granted any new car making qualifications. A number of companies have filed applications to produce new-energy vehicles and evaluations are underway, said the MIIT.

- China will boost pilots of parallel vehicle imports in its free trade zones, allowing cars to be imported without authorization from carmakers. The program is a key measure to boost “supply-side reforms,” which include reducing ineffective and low-end supply. Customs will streamline procedures and registration services for parallel imported vehicles will be improved.
- The Chairmen of Chinese internet search provider Baidu, Robin Li, and carmaker Zhejiang Geely Holding Group, Li Shufu, have urged Beijing to speed up the drafting of a legal framework for autonomous driving technology. The race to bring to market self-piloting cars will depend in part on how receptive regulators are to the technology.
- Geely will start mass production of a hybrid vehicle using its self-developed powertrain, moving a step forward to achieving its green car ambitions. Geely’s flagship sedan model, Emgrand EC7, will be the first to use the new hybrid powertrain, which was developed by a joint venture with Hunan-based technology firm Corun New Energy. The carmaker plans an initial production run of 5,000 units for the new hybrid model.

FINANCE

PBOC cuts reserve requirement ratio by 50 basis points

The People's Bank of China (PBOC) cut the reserve requirement ratio (RRR) by 50 basis points for all banks beginning on March 1, taking the ratio to 17% for the country's biggest lenders. The measure aims to help keep market liquidity at reasonable levels and guide stable and appropriate credit growth, according to a PBOC statement. China's foreign exchange reserves hit USD3.3 trillion by the end of last year, over USD500 billion less than a year ago, sparking concerns over liquidity shortages that have spread to the capital market. Major stock indexes have tumbled continually since the start of this year, with the benchmark Shanghai Composite Index shedding nearly 30% at the worst. PBOC Governor Zhou Xiaochuan reassured the market during the G20 Finance Ministers and Central Bank Governors meeting in Shanghai at the end of February that China still has some monetary policy space and tools to offset the downside risks. Zhang Ming, Senior Economist of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences (CASS), said: “The reduction in the RRR is appropriate, as it will help replenish market liquidity after months of capital outflows.” There could be another five RRR cuts, each by 50 basis points, and even one or two interest rate cuts, each by 25 basis points, this year, Zhang said. Zhu Haibin, JP Morgan's Chief China Economist, said there could be an interest rate cut of 25 basis points and four RRR cuts, each by 50 basis points, this year. China last cut the RRR on October 23, 2015, and lowered benchmark interest rates by 25 basis points on the same day, the China Daily reports.

China downplays Moody’s downgrade of government bond rating

China downplayed concerns of a hard landing of its economy after Moody’s downgraded its outlook on the government bond rating. Wang Guoqing, Spokesman for the Chinese People’s Political Consultative Conference (CPPCC), said China’s 6.9% growth in GDP last year “stood head and shoulders above others” in the world. Moreover, indicators at the start of the year showed “warmth” in the economy. “The overall economic situation is good, therefore there is no problem of a hard landing,” Wang said. Doubts about China’s economic resilience rose after credit-rating agency Moody’s downgraded its outlook on the government bond rating from “stable” to “negative”. Moody’s cited uncertainty over the authorities’ capacity to implement economic reforms, rising government debt, and falling foreign exchange reserves as the reasons behind the downgrade. The agency also warned it could further downgrade China’s rating if it saw a slowing of the reforms needed to support sustainable growth and to protect the government’s balance sheet. A continuing fall in foreign exchange reserves of USD762 billion over the past 18 months, caused by capital outflows, highlighted policy, currency and growth risks, Moody's said. Yet the agency retained the Aa3 rating on government bonds, noting that the country's sizable reserves gave it more time to implement reforms and gradually address economic imbalances, the South China Morning Post reports.

Better coordination among regulatory agencies needed

China needs better coordination and communication among its various regulatory agencies to ensure financial stability, Liu Mingkang, former Chairman of the China Banking Regulatory Commission (CBRC) said, adding that multiple issues need to be addressed before reforming the existing financial regulatory agencies. He was responding on the sidelines of the ongoing CPPCC meeting to earlier media reports that suggested that China is mulling the creation of a financial super-regulator as early as this year. Pan Gongsheng, Vice Governor of the People's Bank of China (PBOC) and a CPPCC member, said that the Chinese authorities are studying the reform plan but there is no timetable for it. Chi Fulin, President of the China Institute for Reform and Development suggested merging the three commissions supervising the securities, banking and insurance markets.

- Kazakhstan will build an offshore yuan center, expand the yuan clearing network, and extend cooperation with the Shanghai stock and gold exchanges. More Chinese financial institutions will be encouraged to help Kazakhstan develop its capital, Astana, as an international financial center. Chinese companies are expected to be the largest cluster of foreign investors when the Astana International Financial Center, initiated in 2015, starts full operation in 2018.
- Wang Jun, Adjunct Professor of Finance at the China Europe International Business School (CEIBS), said China urgently needs to develop a national strategy on inclusive finance, a system that offers timely, convenient and differentiated financial services to all individuals and businesses, especially to low-income households, rural residents and micro and small businesses at affordable costs. Private enterprises, especially small and medium-sized ones, received only 30% of bank loans, although they contributed 60% of the country's gross domestic product (GDP) and provided 80% of employment in cities and towns.
- The offshore yuan strengthened to a three-week high on March 4 amid expectations of fresh stimulus measures during the legislative meetings, boosting the currency to its biggest weekly gain in two months. People's Bank of China (PBOC) Vice Governor Yi Gang said the nation's currency and monetary policies will remain stable.
- China Life Insurance Co agreed to buy a 23.686% stake in China Guangfa Bank (CGB), including a 20% stake from Citigroup and IBM Credit's 3.686%. The acquisition will cost China Life a total of CNY23.31 billion. The insurance group will become the single largest shareholder of the Guangzhou-based commercial lender, with its stake in the bank increasing to 43.686% of the total. The transaction is expected to close in the second half of 2016. The equity acquisition by China Life may accelerate the bank's IPO process.
- A Guangzhou city court has sentenced the head of one of China's largest financial scams – which raised nearly CNY10 billion from more than 230,000 victims – to life imprisonment. 24 people were convicted of illegally raising funds for the scam during the decade to 2012. They had targeted mostly elderly retail investors, from more than 60 cities in 16 provinces, promising them returns of up to 47% per year on their life savings.
- China has the highest adoption rate in the world for technology-enabled payment systems, according to a report from the market research firm Nielsen, based on a survey of 13,000 respondents in 26 countries. The survey showed that 86% of Chinese respondents said they paid for online purchases during the past six months via digital payment systems compared with a global average of just 43%. About 98% of the respondents in China said they had made purchases online.
- China is exploring the creation of a mechanism that would use a band to guide the country's interest rates, an approach aimed at giving the market a greater say in the financial system, Yi Gang, Vice Governor of the People's Bank of China (PBOC), said. "China needs to improve the interest rate system to enhance the guidance of the market rates and the effectiveness of monetary policy," Yi said.

FOREIGN INVESTMENT

Qualcomm and Thunder Software set up JV in Chongqing

Qualcomm has set up a joint venture with Chinese partner Thunder Software Technology Co to develop technologies used in drones, virtual reality goggles and other smart devices. The new JV, named Thundercomm, has a registered capital of CNY18.74 million. Beijing-based Thundersoft will control nearly 82% of the JV. The JV will be located at the Fairy Peach Data Valley in Chongqing, which has become one of the world's largest manufacturing bases of smart devices in recent years. Zhang Shutao, General Manager of Thundercomm, said the JV will use intellectual patents from Qualcomm. Frank Meng, Chairman of Qualcomm China, told China Daily that Chinese startups are set to lead the world in innovation in an array of emerging sectors. Chinese tech firms are making technological breakthroughs instead of waiting for ideas imported from overseas companies, said Meng. Ma Longwen, Analyst from Changjiang Securities Co, said the new JV will give an edge to Thundersoft in many areas, including drone making, smart automobiles and VR.

China to further lower entry barriers for foreign investors

China will lower the entry barrier for foreign investors and speed up the revision of relevant laws, Spokesman for the Ministry of Commerce (MOFCOM) Shen Danyang said. China will encourage them to invest in the high-tech, green and service industries, where domestic supply falls short, he added. In 2015, China attracted CNY781.4 billion in non-financial foreign direct investment (FDI), up 6.4% from 2014. Shen also said foreign investors can participate in the reforms of Chinese state-owned enterprises (SOEs) through mergers and acquisitions (M&As). “Considering China’s limited capacity in handling various resources, the move by some foreign companies taking over SOEs can help in activating market vitality and facilitating SOE reforms,” he said. Foreign investors spent USD17.8 billion to take over SOEs in China, or 14.9% of the country’s CNY781.3 billion FDI in 2015. The Ministry of Commerce said it plans to submit the draft of a foreign investment law to the National People's Congress (NPC), the country's legislative body, by the end of this year to further ease restrictions on foreign investors and grant them easier access to the Chinese market.

- In January, China's non-financial outbound investment rose to CNY78.7 billion, almost three times the rate in December and a rise of 18.2% from a year earlier. Of the country's total overseas direct investment in January, 92.5% came from smaller enterprises, up 175% from the same period last year.
- According to the draft 13th Five Year Plan (2016-2020), China aims to switch from an emphasis on quantity to quality in foreign direct investment (FDI), pledging to ease access for overseas investors to service sectors, including architecture, auditing and finance. Other sectors where foreign investment is welcome are children’s education, elderly care, insurance, securities and banking.

FOREIGN TRADE

China remains world’s largest trading nation

China retained its position as the world's largest trading nation in 2016, despite not reaching its target of 6% growth in foreign trade. China's foreign trade volume reached USD3.96 billion in 2015, down 8% year-on-year, but its foreign trade in goods, export value and total online retail sales still ranked first in the world. The country's total retail sales and trade in services also ranked second in the global market. Commerce Minister Gao Hucheng said that despite double-digit negative growth in global trade last year, the decline in China's export growth rate was far lower than that of other major economies. China's exports accounted for more than 13% of the international market, an increase of 1 percentage point after a rapid increase of its share in 2015, the fastest growth in recent years. China's surplus of trade in goods reached USD593 billion last year, up 55% on a year-on-basis, playing an important role in ensuring the country's financial security. Trade in services reached USD713 billion, up 14.6% year-on-year.

HEALTH

Chemicals in food top concern for FDA

Chemical hazards are the top concern for food safety in China – primarily the abuse of additives and excessive residues of agricultural chemicals and veterinary drugs – but the Administration lacks the capacity for efficient management and supervision, according to Bi Jingquan, Director of China's Food and Drug Administration (FDA). The Administration has conducted inspections of more than 40,000 batches of food products known to be at risk for excessive residues of agricultural chemicals and veterinary drugs, and 255 were found in violation of standards.

MACRO-ECONOMY

Beijing has most "unicorn" tech start-ups after Silicon Valley

Beijing boasts the world's second-largest number of most valuable tech startups. The number of so-called "unicorn companies" – tech startups valued at more than USD1 billion each – has reached 40, second to Silicon Valley in the United States, according to the Zhongguancun Unicorn List released by the Great Wall Enterprise Institute. They account for half such companies in China, with an aggregate valuation of USD146.2 billion, including three worth more than USD10 billion each. Smartphone maker Xiaomi, valued at USD46 billion, ranks first, followed by group-buying player Meituan-Dianping, valued at USD18 billion. Didi Kuaidi, China's largest ride-hailing app, valued at USD16.5 billion, came in third, the report said. Liu Hang, Spokesman for the Management Committee of the Zhongguancun Science Park, estimates that with technical breakthroughs in big data application, intelligent hardware, artificial intelligence and virtual reality, a series of new unicorn companies will emerge in these fields. By December, there were 70 unicorn firms nationwide. Beijing ranked first with 40, followed by Shanghai (15), Hangzhou (4) and Shenzhen (3). Last month, a list issued by Fortune magazine showed the number of unicorn companies globally had increased to 173, with 35 in China, the China Daily reports.

- China plans to lay off an estimated 1.8 million employees in the iron and coal industry as it reduces excess industrial capacity. In addition, as they face a slowing economy, many companies with operational difficulties will not generate as many jobs as before, making it more difficult for new graduates and the unemployed to find jobs.
- China is planning to raise the retirement age by 2022 after a five-year transitional period. Currently the retirement age is 55 for female and 60 for male employees. The number of people aged 16 to 60 fell by 4.87 million to 911 million in 2015, the fourth consecutive year of decline.
- According to research by the National Survey and Research Center at Renmin University of China, the number of start-up businesses per 100,000 people in China far surpassed the equivalent figures in the United States. Zhuhai in Guangdong province ranked No 1 with 2,822 new businesses created per 100,000 people last year, while in Miami, the top U.S. city, the figure was 247.6. The Center added that the quality of innovation in China still lagged behind the U.S. The number of newly registered companies grew to 4.4 million in 2015, a 21.6% year-on-year increase.
- In 2015, the number of migrant residents living in Shanghai dropped for the first time in the past 15 years. It was also the first time Shanghai witnessed a decrease in its permanent population since China adopted the policy of reform and opening-up in 1978. By the end of 2015, Shanghai's population of migrant residents had decreased to 9.8 million, comprising 40.6% of the city's roughly 24 million permanent residents.
- The official Purchasing Managers' Index (PMI) fell 0.4 points from January to 49 in February. It was the seventh consecutive month manufacturing had been below 50. The manufacturing PMI's component indexes showed production fell to 50.2 last month, down from January's 51.4. New orders lost 0.9 points to 48.6, staying below 50 for the second straight month. The purchase volume of raw materials lost 1.1 points to 47.9, while employment retreated 0.2 points to 47.6, both worse than a year earlier. The official non-manufacturing PMI, a counterpart for the service sector, fell to 52.7 in February, down from 53.5 a month earlier.

- The think tank Caixin Insight Group-CEBM launched its New Economy Index to better track the overall Chinese economy during its restructuring. It covers nine categories with 111 sectors. The index, undergoing a soft launch, stood at 31.8 in February – measuring the share of the new economy in overall GDP. It was 26.3 in January. The rise was driven by spending on technology, research and development.
- China is still driving the world economy despite the slowdown. The country contributed more than 25% of economic growth in the past year, accounting for 15% of the global economy, according to the International Monetary Fund (IMF).

MERGERS & ACQUISITIONS

China Resources acquires SABMiller's stake in CRSnow

China Resources Beer has agreed to buy SABMiller's stake in its CRSnow venture for a less-than-expected USD1.6 billion. The deal to sell SABMiller's 49% CRSnow stake was widely anticipated but came sooner than expected. It is the latest in a series of divestments aimed at getting approval for SABMiller's USD100 billion-plus takeover by AB InBev. China Resources has 98 breweries and its brand Snow Beer is considered the best-selling brand in China. In 2014, in terms of volume, Snow Breweries had a 23.8% market share, followed by Tsingtao Beer at 18.4%, Budweiser Anheuser-Busch InBev at 14.3%, Beijing Yanjing Brewery at 12.3%, and Carlsberg Group at 7.5%, according to the Mintel Report Executive Summary of Beer in China. The market is consolidating with the top five companies taking about 75% of the total market.

- German machine builder Manz announced plans to sell at least a 29.9% stake to Shanghai Electric Group Co, with the possibility of a full take-over. Manz, which produces equipment for the solar industry as well as machines for manufacturing smartphones and tablets, outlined plans in December to cut 174 jobs, or about 10% of the workforce.
- Figures from information provider Morning Whistle Group show that private companies completed 76.78% of the M&A deals last year, while state-owned enterprises (SOEs) accounted for 20.29%. The target areas were technology, media, telecommunications, agriculture, food, energy and mineral resources. That is likely to remain the same this year, according to analysts.
- Chinese-owned AMC Entertainment has agreed to purchase Carmike Cinemas in a USD1.1 billion deal that creates the world's largest movie theater chain. The merger will combine Carmike's 2,954 screens with AMC's 5,426, creating a company with more than 600 theater locations across the United States. The purchase price per screen is USD376,000.
- PE investors injected USD192.1 billion in new investments in China last year, marking a 169% jump from a year earlier, according to a report by PricewaterhouseCoopers (PwC). A rise in the "new economy" and government support for entrepreneurship were driving the momentum. The high-technology sector led in both deal volume and value. There were 423 deals in the sector last year, up 40% from a year earlier.

REAL ESTATE

Prices of new homes increase again in February

The cost of a new home rose again across China in February, the China Index Academy said in a report. The average price of a new home rose 0.6% to CNY11,092 per square meter from a month earlier, after a 0.42% gain in January. Nationwide, prices climbed in 61 cities, but fell in 38 cities and were unchanged in one. Among the gainers, 22 cities registered a month-on-month growth of more than 1%, an increase of five from January. Zhongshan in Guangdong province recorded the biggest monthly rise of 5.63%, followed by Suzhou and Shenzhen, which saw home prices rise 5.56% and 5.41%, respectively, from a month earlier. In the country's 10 largest cities, the average cost of a new home increased 0.51% to CNY20,842 per sq m, compared with a 0.54% rise in January. "As the market is approaching its traditional high season, we expect to see robust sentiment among both real estate developers and home buyers, with boosting measures by the government such as the cut in down payment and a reduction in deed and business taxes continuing to take effect," the Academy said. On an annual basis, the average price of a new home jumped 5.25% in February.

- Different real estate policies should be adopted across the country as key cities have seen skyrocketing property prices while sales in smaller cities are still falling, CPPCC Delegates suggested. Home prices in Shenzhen have increased 72% in the past 12 months, as Shanghai and Beijing are following suit. The price of pre-owned homes in Beijing has jumped 10% to 30% after the Chinese Lunar New Year.
- Guangzhou is likely to become the first tier-one city in China to lift home-purchase restrictions for buyers from Hong Kong and Macao, to speed up property destocking and boost economic growth. A document containing 11 instructions released by the Guangdong provincial government said Hong Kong and Macau buyers could enjoy the same benefits as locals in "eligible cities" in the province as part of its plan to clear the stock of 160 million sq m of unsold flats. It did not identify the eligible cities, but industry experts said they believed Guangzhou would stand a high chance to be included as the city's home prices had been lagging those of other cities.
- Shanghai's home market has shown signs of "panic buying", with some new projects selling out in a day. The central government issued several policies in recent months aimed at boosting home sales in smaller cities, including cutting the property transaction tax and lowering down payments. Most of the easing does not apply to top-tier cities such as Shanghai, which is one of only five cities to still enforce strict home purchase restrictions limiting non-permanent residents to buying just one flat. Shanghai saw home prices rise 15% year-on-year to a record CNY37,062 per sq m in January.

RETAIL

Adidas to open 3,000 more stores in China by 2020

German sportswear maker Adidas will expand its retail network in China from the current 9,000 stores to 12,000 by 2020. "With interest in sports in China continuing to gather pace, our newly unveiled 'Creating the New 2020 Greater China' strategy will further build upon our recent achievements and lead Adidas to become China's best sports brand by 2020," said Colin Currie, Managing Director of Adidas Group China. The company recorded an 18% growth in sales in China last year, driven by the so-called performance and style products, according to its annual report. The company's new five year plan focuses on productivity in 23 key cities as they represent potentially more than 50% of total business in China, Currie said.

The company’s core brands include Adidas, Reebok, TaylorMade and Reebok-CCM Hockey. Adidas employs more than 3,000 people in China. The company's China operations generated sales worth €2.5 billion in 2015.

JD.com to invest in high-growth business

JD.com, China’s second-largest business-to-consumer (B2C) e-commerce services company, aims to focus on investment in high-growth business areas this year and improve its profitability after posting mixed results for last year. The company reported a 58% increase in total revenue last year to CNY181.28 billion, up from CNY115 billion in 2014, primarily due to increases in active customer accounts and the number of fulfilled orders. Its total fulfilled orders last year jumped 94% to 1.26 billion, compared with 651.9 million in 2014. Core gross merchandise volume – the total value of all goods sold across the e-commerce service during the 12 months to December – climbed to CNY446.5 billion, up 84% year-on-year. That estimate excluded goods sold on the now discontinued Paipai.com consumer-to-consumer (C2C) online marketplace, which was closed by JD.com at the end of December due to rampant counterfeiting problems. JD.com, however, saw its total loss widen to CNY9.4 billion last year, from CNY5 billion in 2014, because of higher operating costs. Fulfillment expenses, which primarily include procurement, warehousing, delivery and customer service expenses, increased 73% year-on-year to CNY13.9 billion. Marketing costs rose 93% to CNY7.7 billion, while technology and content spending grew 88% to CNY3.5 billion. JD.com’s staff is set to reach more than 150,000 this year, the South China Morning Post reports.

- Zhang Jindong, Founder and Chairman of Suning Holdings Group, China's largest electronics retailer, is calling 2016 a "year of opportunities" for firms in the sector as the country shifts toward more domestic consumption.
- Despite a slowing economy, Chinese consumers’ online spending on foreign goods is expected to remain strong in the next five years. Market research firm Mintel forecast the sales figure to grow 18% each year to 2020. In 2015, the market ballooned by more than 60%, according to Haitao Retailing, Mintel’s first report on the topic.
- Lego will open its largest retail store in the world near the Shanghai Disney Resort. The 1,000-square-meter store will be located on the main shopping street outside Disneyland, which is scheduled to open in mid-June. China has enjoyed what Lego called a “highly satisfactory” 34% growth in 2015 year-on-year. It is expected that China will join the United States and Germany as the top three largest markets for Lego soon.

STOCK MARKETS

Profits of ChiNext-listed companies increase

The average net profit of firms listed on the ChiNext Index, China’s Nasdaq-style board for startups, grew at its fastest speed in five years in 2015. The 500-some ChiNext-listed companies raked in an average net profit of CNY125 million last year, up 27.8% year-on-year. Their revenue on average also rose at a five-year high of 29.4% year-on-year. A total of 322 companies reported increased profits, accounting for 65% of the total, while 173 firms saw declines. The percentages of companies with gains versus those with losses were similar to the numbers in 2014. Among the gainers in 2015, nine witnessed a dramatic surge in net profits of more than 500%. They include East Money, Nationz Technologies and EDAN Instruments. A total of 71 companies reported their profits more than doubled last year, including Baofeng Technology Co, Anhui Shengyun Machinery Co and Jinlong Machinery & Electronics Co. The internet industry reported profit growth of 146% year-on-year in 2015. The data showed the growth engine has steadily moved from traditional sectors to emerging industries as China pushes to restructure its economy, the Shanghai Daily reports.

- The China Securities Regulatory Commission (CSRC) announced that China's third national equity market will divide its listed companies into two markets from May, a move aimed at meeting the requirements of small and medium-sized enterprises and to improve efficiency. The National Equities Exchange and Quotations (NEEQ) will separate the companies into innovation market and basic market, according to Zhang

Xiaojun, CSRC Spokesman. The NEEQ or the New Third Board is popular among micro, small and medium-sized firms. There are 5,878 companies listed on the market.

- Chinese mainland stocks rallied the most since November on March 2, 3 and 4 led by property and building material companies, as government policies aimed at the real estate sector eased uncertainty and more investors poured funds into the A-share market. On March 2, the benchmark Shanghai Composite Index rose by 4.26% to close at 2,849.68 points, the biggest gain since November 4. The Shenzhen Component Index increased 4.77%, while the startup index ChiNext climbed by 4.27%.
- Guotai Junan Securities has relaxed conditions on its stock lending and margin trading. It raised the average conversion rate for margin trading and stock lending to 56.2% for share transactions in blue-chip and growth companies with stable performances. The current maximum conversion rate, according to regulations, is 70%. It is the fifth brokerage to relax margin trading and stock lending conditions.

TRAVEL

Airbus has high hopes for new A330 completion center

Airbus expects its new China A330 completion center in Tianjin to deliver a jet per month starting in 2017, rising to two per month in the following two years. Airbus said it expects China's aviation market to provide demand for 5,400 new airplanes over the next 20 years. The European plane maker is also studying if it should increase the production rate at its A320 assembly line in Tianjin. Airbus set up the A320 final assembly line in 2008, which is located adjacent to the new completion and delivery center for the A330 wide-body jet.

- Club Méditerranée President Henri Giscard d'Estaing said Chinese tourists are changing the way they take their holidays and swapping quantity for quality. "Tourists swap sightseeing in multiple cities for a longer-term stay in one location. This is a massive change and a great opportunity for Club Med," he said. Club Med has about 80 resorts in many countries, including four in China, which Giscard described as its second-largest market. He predicted that Club Med would have around 200,000 guest from mainland China, Hong Kong and Taiwan this year.
- Chinese billionaire Wang Jianlin, Chairman of Dalian Wanda Group, and partner companies, plan to invest more than €3 billion in a retail and leisure development project outside Paris to compete with Disneyland. EuropaCity will be built 10 km northeast of Paris by 2024. It will be the biggest single investment project in Europe to date, including a theme park, show stage, hotel, retail stores and conference centers. The project, which spans more than 80 hectares, will also provide about 20,000 jobs during construction and 14,000 after it opens.
- China and the United States launched the U.S.-China Tourism Year 2016 at a ceremony in Beijing. It aims to increase travel and tourism between the two countries by enhancing the travel experience, increasing travelers' cultural understanding and expanding the appreciation of natural landscapes. "In 2015, total bilateral visits surpassed 4.75 million. We hope the number will surpass 5 million this year," said Li Jinzao, Chairman of the China National Tourism Administration (CNTA).
- China has established a state-owned conglomerate to develop aircraft engines, a move that experts say will extensively boost the country's aviation industry. Cao Jianguo was appointed Chairman of the Aircraft Engine Corp of China. He is a former General Manager of China Aerospace Science and Industry Corp. At least three aviation engine companies under AVIC – Sichuan Chengfa Aero Science and Technology, AVIC Aviation Engine Corp and AVIC Aero-Engine Controls – will be merged into the new company.
- HNA Group and Accor, Europe's biggest hotel operator, are among potential bidders for Carlson Rezidor Hotel Group, which owns the Radisson and Park Plaza brands. A sale could be worth about USD2 billion, and a deal could be done as soon as the middle of the year. HNA Hospitality has become one of China's biggest hotel companies with more than 90 hotels in 30 cities.

ONE-LINE NEWS

- Brazilian state energy firm Petróleo Brasileiro, which is struggling to fix its troubled finances amid the crude price fall, said it obtained a Chinese loan up to USD10 billion in exchange for supplying petroleum to Chinese companies.
- Chinese Premier Li Keqiang has received Jacob Lew, U.S. Treasury Secretary and Special Representative of U.S. President Obama in Beijing. Chinese President Xi Jinping will meet Obama at the fourth Nuclear Security Summit on March 31 and April 1 in Washington DC. The Chinese and U.S. leaders last met at the Paris Climate Summit in December.
- China's first lunar lander has been operating on the moon for over two years, the longest time for an active probe. Chang'e-3 has exceeded its operational life of one year and has been in service for 15 extra months since landing on the moon on December 14, 2013, said Ye Peijian, Chief Scientist with the Chang'e-3 program.

QUOTES OF THE WEEK

"China will face more and tougher problems and challenges in its development this year, so we must be fully prepared to fight a difficult battle. […] We will not be daunted by these problems and challenges. There is no difficulty we cannot get beyond."

Chinese Premier Li Keqiang in his Government Work Report to the National People's Congress (NPC), March 5, 2016.

"The Chinese economy will definitely not see a hard landing. Please relax, such a possibility doesn't exist."

Xu Shaoshi, Chairman of the National Development and Reform Commission (NDRC), at a press conference in Beijing, March 6, 2016.

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